GOVERNMENT OF INDIA
CIVIL AVIATION
LOK SABHA

STARRED QUESTION NO:308
ANSWERED ON:13.08.2001
CHANGE OF GUARD IN MANAGEMENT OF AIR INDIA
MOHAN RAWALE

Will the Minister of CIVIL AVIATION be pleased to state:

(a) the main reasons why Air India became a loss making airlines;

(b) the reasons for putting off the decision to purchase new aircraft;

(c) the extent to which the change of guard in the management of Air India is likely to help the airlines; and

(d) the amount Tata/Singapore airlines is likely to pay for Air India equity?

Answer

THE MINISTER OF CIVIL AVIATION (SHRI SHARAD YADAV)

(a), (b), (c) and (d):- A Statment is laid on the Table of the House.
STATEMENT INREPLY TO LOK SABHA STARRED QUESTION NO.308 FOR 13TH AUGUST, 2001 REGARDING CHANGE O
GUARD IN MANAGEMENT OF AIR INDIA

(a):- Air India became loss making organisation since 1995-96 and prior to this the position of Air India was as per details given below:-

1992-93 - Profit Rs.330.00 Crores
1993-94 - Profit Rs.201.90 Crores
1994-95 - Profit Rs.040.80 Crores
1995-96 - Loss Rs.271.84 Crores

From 1993-94, the profits of Air India started reducing owing to the fact that in the year 1992-93, Indian Airlines was awarded a large number of lucrative India-Gulf routes from Air India`s entitlement to bail out Indian Airlines from heavy losses which it had suffered due to grounding of its fleet of 31 aircrafts A-320 in 1990. In 1994-95, Air India`s imprudent business decision to operate wet leased aircraft also led to erosion of profits. These two factors mainly started affecting adversely Air India`s profits year after year, and instead Air India suffered losses to the extent of Rs.271.84 crores and Rs.296.94 croresi n the year 1995-96 and 1996-97 respectively. Of course, there were other reasons accountable such as
(i) No addition of aircraft in the fleet due to shakened confidence of the management on account of heavy losses
(ii) Steep increase in the prices of fuel;

(iii) High fuel consumption and material consumption as a result of an ageing fleet;
(iv) High burden of depreciation and financial costs due to replacement and augmentation of fleet and devaluation of the Indian rupee vis-a-vis the US dollar;
(v) Increase in expenditure as a result of weakening of the Indian rupees vis-a-vis major hard currencies;
(vi) Slow down in major traffic generating economies;

(b):- Since Air India is being disinvested shortly, they have decided not to purchase new aircraft at present. Instead, they have taken 4 A310-300 aircraft on drylease with a view to augment its routes and pasengers carrying capacity.

(c):- It is expected that transfer of the management control of Air India in favour of the Strategic Partner would bring in efficient management practices, which would help the company in attaining greater operational efficiency and optimum utilization of its resources.

(d): It is not possible to give an estimate of the bid amount of the bidder for the 40% equity of Air India.